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SUBJECT: AUSTRIAN GOVERNMENT COALITION TALKS: "NOT YET DEAD"

REF: VIENNA 3202 AND PREVIOUS

¶1. (SBU) Summary: Although observers in Austria keep pronouncing negotiations toward a Grand Coalition as dead, like a bad movie, they keep springing back from the grave to argue the matter. Two and a half weeks after the conservative People's Party (OVP) walked out on coalition talks with the Social Democrats (SPO), the two parties have now resumed their negotiations. There is a long way to go, however, before one could describe the Grand Coalition as a done deal. Recent talk of an SPO minority government has caught people's attention in Vienna. At the same time, all agree that a minority government could not possibly last long. Early elections -- especially after less than a year -- would not be at all popular in Austria. The two large parties would likely be the ones to pay under that scenario. The winners would probably be the protest parties, including the Freedom Party (FPO). End Summary.

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"We are Not Yet Dead -- That's the Best that Can be Said"  
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¶12. (SBU) Like the geezer in "Spamalot" (the Broadway version of the iconic movie "Monty Python and the Holy Grail"), the prospect of forming a Grand Coalition government between the Social Democratic Party (SPO) and the conservative People's Party (OVP) just won't stay dead. It has been seven weeks since national parliamentary elections returned results which, to most people, left a Grand Coalition as the only logical choice. But it took all of one day -- October 31, when the new parliament sat for the first time -- to put the talks into a deep freeze (reftel). The SPO decided to form common cause with the Greens and the right-wing Freedom Party (FPO) to form parliamentary committees to investigate the government's decision to purchase Eurofighters and to look into allegations of shady bank operations. This was directly contrary to the specific wishes of the OVP. An infuriated OVP responded that it would not engage in further coalition talks until the committees finished their business -- processes that usually take years.

¶13. (SBU) There it has stood, with much harrumphing, for the past two and a half weeks. Naturally, each side made declarations -- to no one in particular, but loud enough for the other to hear -- that there were, of course, other parties out there with whom they could hook up. The fact that there was no likely coalition whose parliamentary strength added up to a majority did not stop the speculation. However, it was clear that any constellation other than a Grand Coalition would simply have to include both Greens and FPO, and it would take more than a shotgun to get those two together. Lately, the SPO had been musing aloud that maybe it should have just gone it alone, forming a minority

government. The press has dutifully reported long, speculative lists of possible ministers in such a government. However, the fact remains that a minority government needs to survive at least one vote of confidence in parliament, and such formations usually need the tacit support of like-minded parties.

¶4. (SBU) Federal President Heinz Fischer has worked hard to bring the two back together. He has held several private meetings between SPO head and presumptive Chancellor Alfred Gusenbauer, and OVP leader and still Chancellor Wolfgang Schuessel.

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Can't Live With Them, Can't Live Without Them  
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¶5. (SBU) Fischer's patient efforts seem to have paid off. On November 16, the OVP leadership met to decide what to do next. The result was a decision to give the SPO another chance, but only on conditions. First, the parties would pledge not to vote against each other in parliament, as long as they were talking about forming a government together. Second, the SPO would acknowledge the need for an air defense capability (a reference to the Eurofighter commission). Third, the SPO would not violate bank secrecy provisions in the banking commission.

¶6. (SBU) The SPO reacted with some pique, with parliamentary floor leader Josef Cap rejecting conditions. However, Gusenbauer and Schuessel met again, and this time, they held a press conference to announce the resumption of talks.

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Hold Your Breath -- Until You Turn Blue?

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¶7. (SBU) This is still just the beginning of the process, not the end. There is a lot of detail work for the representatives of the two parties to undertake in order to form a government, and they have lost over two weeks while carrying on their spat. What is more, it is not at all certain that they will be successful in the end. The more people have talked about the prospect of an SPO minority government, the more realistic it has seemed to be.

¶8. (SBU) At the same time, everyone believes that a minority government cannot last long. One need not think long to come up with important issues on which the Social Democrats will be unable to win a majority in parliament. Neither Red-Green-Black nor Red-Green-Blue (the FPO) is very stable. That means that a consequence of a minority government is the prospect of elections in the short term.

¶9. (SBU) The Austrian public has made clear that it does not like the prospect of early elections. The party that gets the blame for provoking them would almost certainly suffer in the polls -- and at the moment, it looks like the public would blame both the red (SPO) and black (OVP). The winners in this scenario would be Green and blue (FPO).

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